

HOUSING AUTHORITY OF THE CITY OF EVERETT
Snohomish County, Washington
July 1, 1993 Through June 30, 1994

Schedule Of Federal Findings

1. Everett Housing Authority (HA) Officials Should Improve Procurement Practices

Our examination included a review of a report on an audit of the Everett Housing Authority performed by District Inspector General of the U. S. Department of Housing and Urban Development. That report, dated September 30, 1994, communicated the results of an audit of the housing authority's 1991 Comprehensive Improvement Assistance Program and the 1992 and 1993 Comprehensive Grant Programs. The results of that report have been summarized below.

Housing authority officials did not always follow U.S. Department of Housing and Urban Development (HUD) procurement regulations when contracting for the Comprehensive Improvement Assistance Program or Comprehensive Grant Program. The Office of Inspector General of HUD tested six contracts for compliance with procurement regulations. They found inadequate assurance that contracts for goods and services totaling \$749,435 were procured at a reasonable cost (See Schedule of Questioned Costs). The lack of supervisory review and control over the procurement process allowed noncompliance with procurement regulations.

Control weaknesses were identified in each of the six procurement actions tested as follows.

a. Postage Machine

The authority did follow procurement regulations for acquiring a \$9,189 postage machine. It did not determine and document why it was needed or the requirements it needed to meet. HUD regulations in 25 CFR 85.36(d)(1) require a clear and accurate description of the technical requirements. They also require identification of requirements offerors must fulfill and factors to be used in evaluating bids or proposals to ensure competition.

b. Asbestos Removal Contract

Contract exceeds \$25,000 limit requiring sealed bids. Telephone bids were used since the extent and anticipated dollar volume of those services were unknown at the time of the bid requests.

c. Tree Trimming Contract

The housing authority did not document the process used to award this contract for \$27,275. (The original contractor was released and the second low bidder submitted an estimate for specific services and the contract awarded based upon this single estimate.)

d. Baker Heights Phase III) Change Orders

Change orders totaling \$425,626, were approved after the contract was awarded. This avoided preparing detailed specifications, and increased the scope of the original contract.

e. Section 504 Modifications

Change orders totaling \$73,337 were used to correct items not identified when the project was designed, increasing the scope of the contract.

f. Lead Based Paint Consultant

The contract selection process was not proper. This contract for \$161,881 was selected as a sole source provider without appropriate documentation.

HUD regulations 24 CFR 85.36(b)(9) requires the housing authority to maintain records in sufficient detail to determine the significant history of each procurement. HUD 24 CFR 85.36(d) prescribes four acceptable methods for procuring goods and services based upon the nature and estimated dollar value of the anticipated purchase.

HUD regulations 24 CFR 85.36(c) requires that all goods and services be procured in a manner providing full and open competition, regardless of the procurement method used, and requires the housing authority to incorporate clear and accurate description of the technical requirements for the goods or service, and identify all requirements which must be fulfilled and other factors to be used in evaluating bids or proposals to ensure competition.

Additionally 24 CFR 85.36(d)(1)) for small purchases (less than \$25,000 in aggregate) requires price quotes from an adequate number of qualified sources (to ensure full and open competition).

The housing authority's procurement policies and procedures were consistent with HUD's prescribed methods, however they did not always use the appropriate procurement method when acquiring goods and services to ensure adequate competition existed to support that goods and services were procured at a reasonable cost.

Additionally, documentation to support procurements decisions was not always retained.

As a result, neither housing authority management nor HUD have reasonable assurance that contracts totaling \$250,472 and change orders totaling \$498,963 were procured using the proper procurement method; ensuring the lowest price under free and open competition to achieve the best quality at the lowest cost.

HUD issued a "Notice of Deficiency" on November 23, 1994. The "Notice of Deficiency" provides the housing authority will:

1. Conform with all HUD required and HA adopted procurement requirements in procuring HA goods and services. To ensure compliance and assist staff in monitoring procurement actions and ensuring compliance with procurement policies and procedures, the HA shall plan for and document procurement process, conduct cost analyses, secure Board of Commissioner approval as required, and shall establish and maintain a HA procurement register.

2. The HA must submit all change orders for prior HUD approval.
3. The HA must submit all contracts over \$100,000 for prior HUD approval.

We recommend the housing authority comply with the conditions of the "Notice of Deficiency."